

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Berrien Springs Community Library	County Berrien
Fiscal Year End 03-31-07	Opinion Date 09-19-07	Date Audit Report Submitted to State 09-27-07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).



Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☒ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe) SAS 112 report	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number (269)381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Zip 49002			
Authorizing CPA Signature 	Printed Name James C. Baker	License Number 1101010743	

Berrien Springs Community Library
Berrien County, Michigan

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

Year ended March 31, 2007

CONTENTS

	<i>Page</i>
INDEPENDENT AUDITORS' REPORT	3
BASIC FINANCIAL STATEMENTS	
Statement of net assets and governmental fund balance sheet	4
Statement of activities/statement of revenues, expenditures, and changes in fund balance	5
Notes to financial statements	6 - 10
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of revenues, expenditures, and changes in fund balance budget and actual - Operating Fund	11

INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Berrien Springs Community Library**

We have audited the accompanying financial statements of the governmental activities and the major fund of Berrien Springs Community Library, as of March 31, 2007, and for the year then ended, which collectively comprise the Berrien Springs Community Library's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Berrien Springs Community Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of Berrien Springs Community Library, as of March 31, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison schedule, on page 11, is not a required part of the basic financial statements of the Berrien Springs Community Library, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the method of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Berrien Springs Community Library has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Siegfried Crandall P.C.

September 19, 2007

BASIC FINANCIAL STATEMENTS

Berrien Springs Community Library

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE

March 31, 2007

	<u>Operating</u>	<u>Adjustments</u>	<u>Statement of net assets</u>
ASSETS			
Current assets:			
Cash	\$ 188,149	\$ -	\$ 188,149
Investments	1,848	-	1,848
Receivables	199,021	-	199,021
Prepaid expenses	<u>1,556</u>	<u>-</u>	<u>1,556</u>
Total current assets	<u>390,574</u>	<u>-</u>	<u>390,574</u>
Noncurrent assets:			
Beneficial interest in assets held by foundation	27,733	-	27,733
Capital assets not being depreciated - land		48,000	48,000
Capital assets, net of accumulated depreciation	<u>-</u>	<u>992,715</u>	<u>992,715</u>
Total noncurrent assets	<u>27,733</u>	<u>1,040,715</u>	<u>1,068,448</u>
Total assets	<u>\$ 418,307</u>	<u>1,040,715</u>	<u>1,459,022</u>
LIABILITIES			
Payables	<u>\$ 10,940</u>	<u>-</u>	<u>10,940</u>
FUND BALANCE			
Reserved, nonexpendable	25,000	(25,000)	-
Unreserved	<u>382,367</u>	<u>(382,367)</u>	<u>-</u>
Total fund balance	<u>407,367</u>	<u>(407,367)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 418,307</u>		
NET ASSETS			
Invested in capital assets		1,040,715	1,040,715
Restricted, nonexpendable		25,000	25,000
Unrestricted		<u>382,367</u>	<u>382,367</u>
Total net assets		<u>\$ 1,448,082</u>	<u>\$ 1,448,082</u>

Amounts reported in the statement of net assets are different because:

Total fund balance	\$ 407,367
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the fund.	<u>1,040,715</u>
Total net assets	<u>\$ 1,448,082</u>

See notes to the financial statements

Berrien Springs Community Library**STATEMENT OF ACTIVITIES/STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE***Year ended March 31, 2007*

	<u>Operating</u>	<u>Adjustments</u>	<u>Statement of activities</u>
Program expenditures/expenses			
Recreation and cultural - library:			
Operations	\$ 297,833	\$ (35,599)	\$ 262,234
Depreciation	-	86,591	86,591
Capital outlay	19,061	(19,061)	-
	<u>316,894</u>	<u>31,931</u>	<u>348,825</u>
Total program expenses			
	<u>316,894</u>	<u>31,931</u>	<u>348,825</u>
Program revenues			
Charges for services	17,601	-	17,601
Operating grants and contributions	14,706	-	14,706
	<u>32,307</u>	<u>-</u>	<u>32,307</u>
Total program revenues			
	<u>32,307</u>	<u>-</u>	<u>32,307</u>
Net program expenses	<u>(284,587)</u>	<u>(31,931)</u>	<u>(316,518)</u>
General revenues			
Property taxes	195,701	-	195,701
State grants	11,016	-	11,016
District court penal fines	96,042	-	96,042
Investment return	12,323	-	12,323
	<u>315,082</u>	<u>-</u>	<u>315,082</u>
Total general revenues			
	<u>315,082</u>	<u>-</u>	<u>315,082</u>
Change in fund balance/net assets	30,495	(31,931)	(1,436)
Fund balance/net assets - beginning	<u>376,872</u>	<u>1,072,646</u>	<u>1,449,518</u>
Fund balance/net assets - ending	<u>\$ 407,367</u>	<u>\$ 1,040,715</u>	<u>\$ 1,448,082</u>
Change in fund balance			\$ 30,495
Amounts reported in the statement of activities are different because:			
Capital assets:			
Acquisitions			54,660
Provision for depreciation			<u>(86,591)</u>
Change in net assets			<u>\$ (1,436)</u>

See notes to the financial statements

Berrien Springs Community Library
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Berrien Springs Community Library (the Library) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

a) Reporting entity:

The Library is a Class III public library, serving patrons of the Village of Berrien Springs and the Township of Oronoko, Michigan. In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Library. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Library has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Library's financial statements. Also, the Library is not a component unit of any other entity.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all activities of the Library. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for the single governmental fund, using the columns labeled "Operating Fund."

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the nonexpendable trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service

Berrien Springs Community Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The government reports a single major governmental fund, the Operating Fund, which accounts for all financial resources of the general government.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits and investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

ii) Receivables and payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are considered to be fully collectible.

iii) Prepaid assets - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Capital assets - Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 40 years
Furniture and equipment	10 years
Materials	5 years

Berrien Springs Community Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

e) Property tax revenue recognition:

Property taxes are levied as of December 1 on property values assessed as of December 31 of the previous year. The billings are due on February 14, with the final collection date of February 28, after which time the bill becomes delinquent and penalties and interest may be assessed by the Library. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Library levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - BUDGETARY STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

The annual budget is adopted on a basis consistent with generally accepted accounting principles for the Operating Fund. The budget document presents information by function and line items. The legal level of budgetary control adopted by the governing body is the function level. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. For the year ended March 31, 2007, the Library experienced the following significant instances of actual expenditures exceeding budgetary amounts. All excess expenditures were offset by under-spending in other line items.

	<i>Amended budget</i>	<i>Actual</i>	<i>Variance</i>
Recreation and culture	<u>\$ 290,809</u>	<u>\$ 297,833</u>	<u>\$ (7,024)</u>

NOTE 3 - DEPOSITS AND INVESTMENTS:

Deposits:

State statutes and the Library's investment policy authorize the Library to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that operate within the State. At March 31, 2007, cash included deposits with financial institutions of \$188,149. Except as follows, the Library's deposits are in accordance with statutory authority. The Library holds a certificate of deposit (face value of \$50,000, fair market value of \$49,682) with a bank that does not operate within the State. The certificate matures in 2010, but is callable by the bank, beginning in May 2005. In June, 2007, the holding was liquidated at slightly less than its carrying value at March 31, 2007.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Library will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2007, \$1,297 of the Library's bank balances of \$195,497 was exposed to custodial credit risk.

Berrien Springs Community Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued):

Investments:

At March 31, 2007, the Library's sole investment consists of 38 shares of American Electric Power, reported at fair value, which were received through donation. Normally, a library cannot invest in corporate equities, however state law permits such investments to be held if received through donation. Once such holdings are sold, the proceeds from sale cannot be reinvested in similar investments.

NOTE 4 - RECEIVABLES:

Receivables (all of which are due within one year) as of March 31, 2007 are as follows:

Property taxes	\$ 196,003
Interest	2,660
Accounts	<u>358</u>
	<u>\$ 199,021</u>

NOTE 5 - CAPITAL ASSETS:

Capital asset activity of the Library for the current year was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Depreciable capital assets:				
Buildings	\$ 1,277,071	\$ -	\$ -	\$ 1,277,071
Improvements	77,250	10,900	-	88,150
Furniture and equipment	117,096	7,625	-	124,721
Books and a/v material	<u>196,925</u>	<u>36,135</u>	<u>-</u>	<u>233,060</u>
Subtotal	<u>1,668,342</u>	<u>54,660</u>	<u>-</u>	<u>1,723,002</u>
Less accumulated depreciation for:				
Buildings	(441,105)	(31,927)	-	(473,032)
Improvements	(16,209)	(6,183)	-	(22,392)
Furniture and equipment	(84,518)	(7,533)	-	(92,051)
Books and a/v material	<u>(101,864)</u>	<u>(40,948)</u>	<u>-</u>	<u>(142,812)</u>
Subtotal	<u>(643,696)</u>	<u>(86,591)</u>	<u>-</u>	<u>(730,287)</u>
Depreciable capital assets, net	1,024,646	(31,931)	-	992,715
Land	<u>48,000</u>	<u>-</u>	<u>-</u>	<u>48,000</u>
Total capital assets, net	<u>\$ 1,072,646</u>	<u>\$ (31,931)</u>	<u>\$ -</u>	<u>\$ 1,040,715</u>

Berrien Springs Community Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

The Library's building is in substance, a capitalized lease of property owned by the Township of Oronoko. The Library occupies the facility rent free. Upon maturity of the bonds issued by the Township to finance the project costs, the building will be turned over to the Library, by quitclaim deed. The bonds mature in May 2008.

NOTE 6 - BENEFICIAL INTEREST IN ASSETS HELD BY FOUNDATION:

Beneficial interest in assets held by foundation:

Amounts shown as beneficial interest in assets held by foundation represents monies placed with the Berrien Community Foundation (the Foundation) by the Library, specifying itself as the beneficiary. The Foundation maintains variance power and legal ownership of such funds, and, as such, continues to report the funds as assets of the Foundation, with a corresponding liability, agency endowment fund. The Library reports this asset at the present value of future payments expected to be received. The portion of the asset that is considered nonexpendable is shown as a separate component of fund balance/net assets.

NOTE 7 - DEFINED CONTRIBUTION PENSION PLAN:

The Library makes contributions to IRA accounts, on behalf of eligible employees. Total contributions made during the year ended March 31, 2007, totaled \$5,477.

NOTE 8 - CLAIMS ARISING FROM RISKS OF LOSS:

The Library is exposed to various risks of loss due to general liability, property and casualty, and workers' compensation potential claims. These risks of loss are managed through purchased commercial insurance.

NOTE 9 - CONTINUANCE OF FUNDING - MILLAGE RENEWAL:

The current ten-year voted authorization for property taxes levied by the Library expired December 12, 2006. During the year ended March 31, 2007, the Library initiated the process to submit a ballot proposal in May 2007, for a ten (10) renewal of the annual 1.000 Mil levy. The proposal, which was approved by the voters in May 2007, will expire in December 2016.

REQUIRED SUPPLEMENTARY INFORMATION

Berrien Springs Community Library**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - Operating Fund**

Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 192,502	\$ 192,502	195,701	\$ 3,199
State grants	11,016	11,016	11,016	-
Charges for service	17,174	17,174	17,601	427
Fines and forfeitures	96,042	96,042	96,042	-
Investment return	6,748	6,748	12,323	5,575
Contributions	9,449	9,449	14,706	5,257
Total revenues	<u>332,931</u>	<u>332,931</u>	<u>347,389</u>	<u>14,458</u>
EXPENDITURES				
Recreation and cultural:				
Salaries	153,172	153,172	153,173	(1)
Books	39,842	39,842	40,286	(444)
Building and equipment maintenance	30,750	30,750	33,763	(3,013)
Utilities	15,503	15,503	15,828	(325)
Payroll taxes	11,718	11,718	11,718	-
Professional services	9,887	9,887	10,137	(250)
Supplies	7,221	7,221	7,765	(544)
Employee benefits	4,552	4,552	6,629	(2,077)
Insurance	6,423	6,423	6,423	-
Administrative costs	6,189	6,189	6,298	(109)
Communication	2,028	2,028	2,028	-
Education and transportation	443	443	1,917	(1,474)
Programs	1,865	1,865	1,868	(3)
Miscellaneous	1,216	1,216	-	1,216
Total recreational and cultural	290,809	290,809	297,833	(7,024)
Capital outlay	<u>23,340</u>	<u>23,340</u>	<u>19,061</u>	<u>4,279</u>
Total expenditures	<u>314,149</u>	<u>314,149</u>	<u>316,894</u>	<u>(2,745)</u>
EXCESS OF REVENUES OVER EXPENDITURES	18,782	18,782	30,495	11,713
FUND BALANCES - BEGINNING	<u>376,872</u>	<u>376,872</u>	<u>376,872</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 395,654</u>	<u>\$ 395,654</u>	<u>\$ 407,367</u>	<u>\$ 11,713</u>

**Board of Trustees
Berrien Springs Community Library**

In planning and performing our audit of the financial statements of Berrien Springs Community Library (the Library) for the year ended March 31, 2007, in accordance with U.S. generally accepted auditing standards, we considered the Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they had been implemented, but it did not include procedures to test the operating effectiveness of controls, and, accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we have identified certain deficiencies in internal control that we consider to be significant deficiencies and deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Library's ability to initiate, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Library's financial statements that is more than inconsequential will not be prevented or detected by the Library's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

- Certain pension contributions were not made in a timely manner. The underpayments occurred because comparisons of the ratio of contributions paid to matching covered payroll were not performed, and because the general ledger account used to record the contributions was not reviewed for gaps in the dates of disbursements. We recommend that, in the future, pension contributions be made as the payroll occurs, and that the ratio of the recorded pension expenditure to the related covered payroll be compared to the expected contribution ratio. Periodically, the general ledger account should be reviewed for gaps in the dates of recorded transactions.

- Journal entries developed by the contracted bookkeeper are not reviewed and approved by management. By not providing proper oversight of accounting processes, the Library may be at risk for lack of understanding of the information contained in its financial statements. We recommend that periodically, management obtain a report all general ledger adjustments to date, that an appropriate competent individual indicate management's approval and acceptance by signing or initialing such report, and, that such report be retained.
- The financial records (including computer generated) are maintained in the home of an individual. The Library is at risk for loss of records and of data security. The Library should be aware of the risks associated with the location of its accounting records, and establish policies and procedures to limit its exposure to such risks. The Library may want to discuss the matter with its insurance carrier.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Library's internal control. We believe that the following deficiency constitutes a material weakness.

- Policies and procedures to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to classify receipt and use of restricted contributions, recording receivables and payables, and changes in fixed assets, were not in place. As in prior years, the Library has relied upon our firm as auditor to identify and develop material adjustments necessary to convert cash basis financial statements into full accrual financial statements and to prepare the financial statements and appropriate disclosures. This service is allowable under current auditing standards and ethical guidelines, and may be the most efficient and effective method for preparation of the Library's financial statements. However, when an organization (on its own) lacks the ability to produce financial statements that conform to generally accepted accounting principles, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses. We recommend that management and those charged with governance evaluate and document their informed decision on the costs and benefits of contracting financial statement preparation services with its auditor.

This communication is intended solely for the information and use of management, the board of trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.

September 19, 2007

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